



San Francisco International Airport

MEMORANDUM

April 24, 2018

TO: AIRPORT COMMISSION
Hon. Larry Mazzola, President
Hon. Linda S. Crayton, Vice President
Hon. Eleanor Johns
Hon. Richard J. Guggenheim
Hon. Peter A. Stern

FROM: Airport Director

SUBJECT: Adoption of the Twenty-Second Supplemental Resolution Amending and Supplementing Prior Resolutions to Authorize an Additional \$2.62 Billion Aggregate Principal Amount of San Francisco International Airport Second Series Revenue Refunding Bonds

DIRECTOR'S RECOMMENDATION: ADOPT THE TWENTY-SECOND SUPPLEMENTAL RESOLUTION AMENDING AND SUPPLEMENTING PRIOR RESOLUTIONS TO AUTHORIZE AN ADDITIONAL \$2.62 BILLION AGGREGATE PRINCIPAL AMOUNT OF SAN FRANCISCO INTERNATIONAL AIRPORT SECOND SERIES REVENUE REFUNDING BONDS.

Executive Summary

The proposed Twenty-Second Supplemental Resolution authorizes the issuance of an additional \$2.62 billion aggregate principal amount of San Francisco International Airport Second Series Revenue Refunding Bonds ("Refunding Bonds") to refinance outstanding Airport bonds. The requested authority, together with existing but unused authority, would allow the Airport to generate net present value savings, restructure debt service, or convert bonds from or to a variable or fixed interest rate structure that would be beneficial to the Airport Commission (the "Commission"). The attached Resolution supplements and amends several prior Resolutions that authorized the issuance of up to \$8.44 billion of Refunding Bonds.

The Airport's Financial Advisory Committee has reviewed and concurs with this proposed increase.

Twenty-Second Supplemental Resolution

The Commission issues its Refunding Bonds under its 1991 Master Bond Resolution No. 91-0210 (the "1991 Master Resolution"), adopted on December 3, 1991, as supplemented and amended. The Commission and the San Francisco Board of Supervisors (the "Board") have previously approved the issuance of Refunding Bonds in aggregate principal amount of \$8.44 billion, of which approximately \$766.17 million remains authorized but unissued.

If adopted, the Twenty-Second Supplemental Resolution will increase the aggregate principal amount of Refunding Bonds issuance authority to \$11.06 billion, of which approximately \$3.39 billion will be authorized but unissued.

THIS PRINT COVERS CALENDAR ITEM NO. 4

AIRPORT COMMISSION CITY AND COUNTY OF SAN FRANCISCO

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|-----------------------|----------------------------|------------------------------------|---------------|-----------------------|----------------|------------------------------------|
| MARK FARRELL MAYOR | LARRY MAZZOLA PRESIDENT | LINDA S. CRAYTON VICE PRESIDENT | ELEANOR JOHNS | RICHARD J. GUGGENHIME | PETER A. STERN | IVAR C. SATERO AIRPORT DIRECTOR |
|-----------------------|----------------------------|------------------------------------|---------------|-----------------------|----------------|------------------------------------|

| Proposed Refunding Bond Authorization (\$ in Millions) | |
|---|--------------|
| Remaining Authorization | \$766 |
| Proposed Increase | <u>2,620</u> |
| Amended Remaining Authorization | \$3,386 |

The Commission currently has approximately \$5.76 billion principal amount of bonds outstanding, including commercial paper notes. The approvals in this Resolution are intended to establish a refinancing mechanism for outstanding bonds, whether to generate savings or restructure debt, in accordance with the Commission's Debt Policy. The Refunding Bonds may be issued as fixed rate, variable rate, or index rate bonds in accordance with the terms of the 1991 Master Resolution.

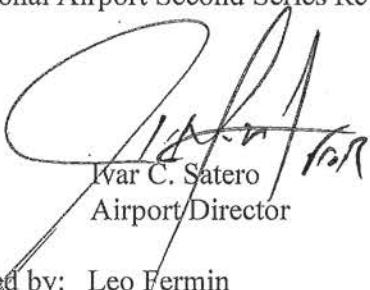
Section 5852.1 of the California Government Code was enacted in 2017 and took effect on January 1, 2018. It requires that certain information as to the full long-term cost of borrowing be disclosed to a governing body prior to its authorization of issuance of bonds. The information in Attachment A has been provided by the Airport's financial advisors as a good faith estimate for the potential sale of up to \$2.62 billion in Refunding Bonds.

Request to the Board of Supervisors

To date, the Commission and the Board have authorized the issuance of \$8.44 billion in Refunding Bonds. If the Twenty-Second Supplemental Resolution is adopted by the Commission, I will similarly request that the Board approve the issuance of an additional \$2.62 billion aggregate principal amount of Refunding Bonds.

Recommendation

I recommend that this Commission adopt the attached Resolution, which amends prior Resolutions to authorize up to an additional \$2.62 billion aggregate principal amount of San Francisco International Airport Second Series Revenue Refunding Bonds to refund outstanding Airport bonds and related actions. I further recommend that this Commission authorize the Secretary of the Commission to seek approval from the San Francisco Board of Supervisors of the issuance of up to an additional \$2.62 billion aggregate principal amount of San Francisco International Airport Second Series Revenue Refunding Bonds and related actions.



Ivar C. Satero
Airport Director

Prepared by: Leo Fermin
Chief Business & Finance Officer

Attachments

ATTACHMENT A

Pursuant to Section 5852.1 of the California Government Code, which requires that certain information as to the full long-term cost of borrowing be disclosed to a governing body prior to its authorization of issuance of bonds, the good faith estimate provided by the Airport's financial advisors for the proposed sale of up to \$2.62 billion in Refunding Bonds is as follows:

- (1) The true interest cost is estimated at 4.08%¹.
- (2) The sum of all cost of issuance fees and underwriter's discount is estimated at approximately \$20.59 million.
- (3) Taking into account the cost of issuance and underwriter's discount, the net bond proceeds is estimated at \$2.60 billion, all of which would be used to refinance outstanding bonds or commercial paper notes.
- (4) Over the 18-year¹ life of \$2.62 billion in bonds sold, the good faith estimate of total principal and interest payments the Commission will make is estimated at \$3.55 billion.

¹ Average across five Refunding Bonds transactions